



**Source:** MTY Food Group Inc.

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**PRESS RELEASE  
FOR IMMEDIATE PUBLICATION**

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## **MTY REPORTS FIRST QUARTER 2021 RESULTS**

- Free cash flows<sup>(1)</sup> per diluted share decreased by 1% compared to Q1-20 to reach \$1.23.
- Cash flows from operating activities of \$31.3 million, up by 1% compared to Q1-20, despite duration of COVID-19 pandemic.
- Adjusted EBITDA<sup>(1)</sup> of \$32.6 million in the quarter, down 20% compared to Q1-20.
- US & International segment adjusted organic EBITDA growth of \$4.7 million.
- Net income attributable to shareholders of \$13.4 million in the quarter, or \$0.54 per share, down from \$19.0 million, or \$0.76 per share, in Q1-20.
- Long-term debt repayments of \$29.1 million for the quarter.
- System sales<sup>(1)</sup> of \$761.1 million, down 24% compared to Q1-20. System sales down 48% in Canada, 4% in US and 32% Internationally. Excluding impact of foreign exchange, US system sales generated positive organic growth for a second quarter in a row.
- First quarter digital sales<sup>(1)</sup> represent 31% and 29% of total system sales for Canada and the US, respectively in the quarter compared to 5% and 14% in Q1-20.
- 338 restaurants were temporarily closed at the beginning of the quarter with 321 still temporarily closed at quarter end. 302 remain temporarily closed as at the date of this press release, which represents less than 5% of the network.
- 1,705 locations were closed one or more days during the quarter, representing 57,100 lost business days.
- Management initiatives resulting in a reduction of recurring controllable expenses of \$6.3 million when compared to Q1-20.

(1) This is a non-GAAP measure. Please refer to the "Non-GAAP Measures" section at the end of this press release.

**Montreal, April 9, 2021** – MTY Food Group Inc. ("MTY", "MTY Group" or the "Company") (TSX: MTY), one of the largest franchisors and operators of multiple restaurant concepts worldwide, reported its results for the first quarter ended February 28, 2021.

"The first quarter of our 2021 fiscal year was marked by unprecedented restrictions imposed on our business in Quebec and Ontario that lasted for most of the period while our US business benefitted from the gradual lifting of restrictions in the United States. Considering those circumstances, we are pleased with our first quarter results. Our capacity to rapidly adapt is well reflected in the proportion of our network's system sales coming from digital channels, which is sequentially up compared to the quarter ended November 30, 2020. Cash flows from operations remained solid at \$31 million, stable versus last year. With \$29 million in long-term debt repayments during the quarter, our total repayments since the beginning of the pandemic have now reached close to \$130 million, bringing MTY's leverage to a level that is lower than most of its peers in North America," stated Eric Lefebvre, Chief Executive Officer of MTY.

"With evolving COVID-19 government restrictions, our system sales remained under pressure and adjusted EBITDA decreased by 20% to \$32.6 million. For the quarter, MTY's network was impacted by over 57,000 of lost business days, which was almost twice the number reported for the fourth quarter. This quarter again, Cold Stone Creamery and Papa

Murphy's were the main drivers of organic growth in system sales reaching a combined \$61 million and fueling an organic growth in adjusted EBITDA for the US & International segment of 23%. The 55% decline in Canadian adjusted EBITDA more than offset that growth. Continuous cost control is in place and resulted in savings of \$6.3 million in recurring controllable expenses.

"Over the last twelve months, we focused our capital allocation on paying down our debt and preparing MTY for the moment the pandemic would dissipate. Because of the sacrifices made since the beginning of the pandemic, the Company finds itself in a solid financial position with \$39 million of cash on hand, over \$290 million available on its credit facility and a steady stream of free cash flows. While it is likely the next few months will remain challenging given the constantly changing intensity of government restrictions throughout the territories in which our franchisees operate, we anticipate MTY will be in a position to resume the payment of dividends, the repurchase of shares for cancellation and if attractive targets become available, its acquisition strategy, in the second half of 2021," concluded Mr. Lefebvre.

<b>Financial Highlights</b>	<b>Q1-2021</b>	<b>Q1-2020</b>
<b>(in thousands of \$, except per share information)</b>		
Revenues	118,960	150,780
Adjusted EBITDA <sup>(1)</sup>	32,637	41,037
Net income attributable to shareholders	13,397	19,008
Cash flows from operations	31,307	30,980
Free cash flows <sup>(1)</sup>	30,300	30,738
Free cash flows per diluted share <sup>(1)</sup>	1.23	1.23
EPS basic	0.54	0.76
EPS diluted	0.54	0.76
System sales <sup>(1)</sup>	761,100	999,500
Digital sales <sup>(1)</sup>	215,200	98,400

(1) This is a non-GAAP measure. Please refer to the "Non-GAAP Measures" section at the end of this press release.

## FIRST QUARTER RESULTS

### Network:

- At the end of the period, MTY's network had 6,949 locations in operation, of which 113 were corporate, 6,816 were franchised and 20 were joint ventures. The geographical split of MTY's locations remained relatively steady as compared to the first quarter of 2020 with 54% in the US, 39% in Canada and 7% International.
- System sales were down 24% from the same period in 2020, reaching \$761.1 million. The quarterly decrease was mainly due to the impacts of the second wave of restrictions related to the COVID-19 pandemic across Canada and the unfavourable variation of \$21.8 million related to the CAD/US exchange rate, partially offset by the positive organic growth generated by Cold Stone Creamery and Papa Murphy's. US system sales for the first quarter decreased 4%, while Canada and International system sales decreased by 48% and 32% respectively.
- Excluding the impact of foreign exchange fluctuations, the US network recorded positive organic growth in sales for the second quarter in a row.
- Digital sales in North America grew to \$215.2 million in the first quarter, from \$98.4 million the year before, and \$193.9 million in the fourth quarter of 2020.
- At the end of the quarter, 321 locations were still temporarily closed because of the pandemic. Of the closed locations, 195 were in Canada, 122 in the US and 4 were internationally located. During the quarter, 1,705

locations temporarily closed for at least one day, resulting in over 57,000 business days lost. As at April 9, 2021, 302 locations remained temporarily closed, which represents less than 5% of the network.

#### Financial:

- Cash flows from operations remained stable at \$31.3 million when compared to the first quarter of last year.
- The Company's revenues decreased 21%, from \$150.8 million to \$119.0 million, mainly due to the impact of government restrictions related to the COVID-19 pandemic.
- Adjusted EBITDA decreased 20% to \$32.6 million, compared to \$41.0 million for the first quarter of last year.
- The strong performance of Cold Stone Creamery and Papa Murphy's, as well a very disciplined cost-control approach, led to a 23% organic growth in adjusted EBITDA for the US & International segment.
- Net income attributable to shareholders was \$13.4 million, or \$0.54 per share (\$0.54 per diluted share), as compared to \$19.0 million, or \$0.76 per share (\$0.76 per diluted share), for the same period last year.

#### LIQUIDITY AND CAPITAL RESOURCES

- In the first quarter of 2021, cash flows generated by operating activities were \$31.3 million, compared to \$31.0 million for the same period last year. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated \$34.4 million in cash flows, compared to \$41.1 million for the first quarter of 2020.
- In the first quarter of 2021, the Company used its cash to pay down \$29.1 million of its long-term debt, to make net lease payments of \$3.8 million and to invest \$1.2 million in property, plant and equipment. Since the second quarter of 2020, dividend payment to its shareholders has been suspended due to the COVID-19 pandemic.
- As at February 28, 2021, the Company had \$39.0 million of cash on hand, and a long-term debt of \$441.4 million mainly in the form of bank facilities and holdbacks on acquisitions.

#### NEAR-TERM OUTLOOK

The Company is closely monitoring the global situation surrounding COVID-19 and taking proactive steps to adapt to the changes for the well-being and safety of its employees, franchisees and customers, and the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on the Company's long-term financial performance. MTY is taking the necessary steps to mitigate the potential consequences that this situation may have on its operations, franchisees, partners and service to MTY's customers. Please refer to section "Highlights of Significant Events" in the Company's February 28, 2021 Management's Discussion and Analysis ("MD&A") for further details on actions taken in response to COVID-19.

In the very short term, management's primary focus is to reopen the restaurants that have been temporarily closed as a result of the pandemic and to rebuild customer confidence by implementing proper safety measures and adjusting the way customers are served. Even after the pandemic is over, customer consumption patterns may shift temporarily or permanently from those traditionally witnessed and MTY will have to adapt to new customer behaviours. Management believes the Company will be able to regain customer confidence in the brands and restore the positive momentum it saw in the first quarter of 2020. The Company's focus, after the pandemic, will still be on innovation, quality of food and customer service in each of the outlets and maximizing the value offered to customers.

The restaurant industry will remain more than ever challenging in the future as customer consumption patterns change and management believes that the focus on the food offering, innovation, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offerings to consumers.

For further details, please refer to the MD&A.

## **CONFERENCE CALL**

The MTY Group will hold a conference call to discuss these results on April 9, 2021, at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-514-400-4402 (Montreal or overseas) or 1-800-399-9540 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-770-2030 and entering the passcode 4629934. This recording will be available on Friday, April 9, 2021 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, April 16, 2021.

## **ABOUT MTY FOOD GROUP INC.**

MTY Group franchises and operates quick-service, fast casual and casual dining restaurants under more than 80 different banners in Canada, the US and Internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts of restaurants, making acquisitions, and forging strategic alliances, which have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 6,949 locations, the many flavours of the MTY Group hold the key to responding to the different tastes and needs of today's consumers as well as those of tomorrow.

## **NON-GAAP FINANCIAL MEASURES**

Adjusted EBITDA (revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges)) plus share of net profit (loss) of a joint venture accounted for using the equity method), system sales, digital sales and free cash flows are widely accepted financial indicators but are not a measurement determined in accordance with International Financial Reporting Standards and may not be comparable to those presented by other companies. The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Refer to the "Compliance with International Financial Reporting Standards" section of the Company's MD&A.

## **FORWARD-LOOKING STATEMENTS**

Certain information in this press release may constitute "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors, which may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. This includes statements regarding the impacts that the novel COVID-19 pandemic may have on the Company's future operations as found in this release. When used in this press release, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this press release. Except as required by law, the Company assumes no obligation to update or revise forward-looking information to reflect new events or circumstances. Additional information is available in the Company's MD&A, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Note to readers:** The MD&A, the condensed interim consolidated financial statements and notes thereto for the first quarter ended February 28, 2021 are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.mtygroup.com](http://www.mtygroup.com).